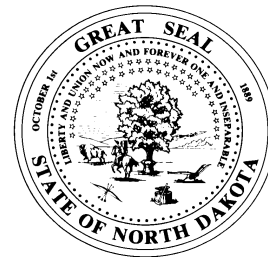


Gaming Update



March 2006

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Draft Administrative Rule Changes

Public hearings on the draft administrative rule changes proposed by the Gaming Advisory Board and State Gaming Commission were held in mid-December. Four people attended the public hearing in Bismarck on December 14th, 30 people attended the public hearing in Fargo on December 15th, and 15 people attended the public hearing in Grand Forks on December 16, 2005.

The Commission also received five comment letters either during the public hearings or prior to the deadline for comments on December 30, 2005. Public comments were expressed on twenty-one different rules.

A meeting of the State Gaming Commission and Advisory Board will be scheduled in the near future to take final action on the proposed changes to the draft administrative rules. According to new guidelines adopted during the 2005 Legislative session, all rule changes submitted to Legislative Council prior to May 15 become effective on July 1.



Gaming and Licensing To Relocate

Installation of the fire sprinkler system for the 17th floor will begin during a 6 week period this summer (July 5 – August 11, 2006), during which time the Gaming Division and Licensing Section will be temporarily relocated to the Northbrook Mall (1929 N. Washington St, Bismarck).

Organizations should continue to send all written correspondence to the regular mailing address (at 600 E. Boulevard Ave), as mail will be routed to the appropriate staff members. All telephone extension numbers will remain the same during this time.

The staff appreciates your patience during this temporary relocation.

A copy of **GAMING UPDATE** is provided free of charge to all gaming distributors and organizations, and to the Gaming Commission and Advisory Board members. Please share this newsletter.

State Gaming License Renewal

The Licensing Section would like to remind all currently licensed gaming organizations to submit their state gaming license renewal documents no later than May 31, 2006, in order to receive their new license(s) prior to June 30, 2006

In addition, to avoid a delay in the processing of the renewal documents, please be certain that all of the forms are filled out correctly and completely. Some of the most common errors for which the renewal forms are returned to the organization for correction are listed below:

- ◆ The site owner (lessor) listed on the rental agreement must be the legal name of the organization if a corporation, partnership, limited liability company, etc. If a site is individually owned by more than one individual (i.e., husband and wife) both names must be listed as the site owner on the rental agreement.
- ◆ All sections of the rental agreement must be filled out completely.
- ◆ On the site authorization, the specific location of gaming operations within a facility and the number of twenty-one tables must be completed.
- ◆ The renewal application and rental agreement must be signed by the Top Executive Official of the gaming organization.

Please do not complete any part of the forms labeled “Office Use”, “Attorney General Use Only”, or “State Use Only.” These areas will be completed by the Licensing Section. If you have any questions about the licensing renewal process, please contact Missy Tesky or Coleen Olson at (701) 328-2329 or 1-800-326-9240.

Online “Auto Calculating” Gaming Tax Return Forms

Auto Calculating Gaming Tax Return Forms for both the Long Form and the Short Form have been available on the Attorney General web site since August 2005. Approximately 60 organizations completed the December 31, 2005, tax return using the auto calculating forms. This is an increase of 5% from the previous quarter. Our office has seen a noticeable drop in mathematical errors on tax returns using the auto calculating forms.

There are two separate Long forms available: one includes up to 26 sites and automatically calculates Schedule A information for Adjusted Gross Proceeds and the subtotal for Gross Proceeds, Prizes, Adjusted Gross, and Cash Profit for each site. This form also transfers the site information to the front page of the return. The second long form is the front page of the return for organizations with only one site. The short form return includes Schedule C. It auto calculates Schedule C and transfers the calculated amount to the front of the return.

If you run into problems when using these forms, or you have suggestions on making the forms more user friendly, please contact Deb McDaniel by calling 1-800-326-9240, or by e-mail at: dmcdanie@state.nd.us.



Lottery Update

www.ndlottery.org

The North Dakota Lottery launched its fourth game - “2by2” - on February 2nd. First day ticket sales were extremely strong at \$14,674 which exceeded the combined ticket sales that day of the other two state lotteries that participate in the game (Nebraska and Kansas). The addition of “2by2” now allows participants of the North Dakota Lottery to participate in drawings six days a week.

Winners

A forklift operator from Williston won \$1,000,000 in the March 15, 2006, Powerball draw. Kevin Green matched 5 white balls to win \$200,000, but because he also had purchased the Power Play option, his prize was increased by that night’s multiplier of 5, for a total win of \$1,000,000. Williston Kum & Go store #806 received a \$5,000 retailer bonus.

Also in March, two women from Zap won the state’s largest Wild Card 2 jackpot, sharing over a half-million dollars. The women play all four Lottery games. They buy tickets once a month at the Farmers Union Oil store in Beulah. Farmer’s Union Oil received a retailer bonus check of \$2,000 for selling the jackpot ticket.

Did You Know?

If a fraternal or veterans’ organization uses net proceeds to remodel its owned facility to make it accessible or usable to youth, senior citizens, and people with disabilities for community programs, services, or functions and sells the facility, the organization must reimburse its trust account for part or all of the net proceeds that was applied. The amount that must be reimbursed is the lesser of the amount of net proceeds applied or the increase in market value of the facility due to the remodeling.

For example, if an organization installs a new elevator in its facility at a cost of \$50,000 and was authorized to use \$40,000 of net proceeds based on an 80% community factor and, due to the new elevator, the facility increased in value by \$30,000, if the organization sells the facility, only \$30,000 must be reimbursed to the trust account.



Disclosure of Policies, Rules, and Information to Players

Due to frequent changes to the Games of Chance Administrative rules regarding posting requirements and recognizing the related costs to the gaming industry, the State Gaming Commission allows specific policies, rules, and information for particular game types to be “disclosed or made available to players”. Although this term provides flexibility to the gaming industry a number of gaming organizations have failed to adequately address the disclosure or availability requirement based on compliance checks performed by the Office of Attorney General.

The availability of the Games of Chance Administrative rule book at a gaming site does not meet the intent of this disclosure requirement.

Organizations may post particular policies, rules, and information and/or have the required information available in a brochure, hand out, or other similar document that is accessible to players. All gaming organizations should review the appropriate chapters of the Games of Chance Administrative rules for the game types conducted at their sites to insure that the required policies, rules, and information outlined in the rules is either properly posted at a site or is available to players upon their request.



North Dakota Games of Chance - Quarterly Analysis

The amount of money wagered on charitable games of chance for the **quarter ended December 31, 2005**, was down by -0.1% percent or (\$82,655) when compared to December 31, 2004. The trend continued with largest decreases in pull tabs (\$1,462,182) or -6.2% and bingo (\$940,548) or -9.6%, while twenty-one had an increase of \$1,824,310 or 9.1%, dispensing devices had an increase of \$531,987 or 3.9%, and other (including poker) had an increase of \$19,766 or 36.2%.

ANALYSIS OF GAMING ACTIVITY Quarter Ended December 31, 2005

	Gross Proceeds	Prizes	Adjusted Gross Proceeds
Bingo	\$8,833,540	\$7,121,704	\$1,711,836
Bingo - Dispensing Device	0	0	0
Raffles	606,653	258,331	348,322
Pull Tabs	22,115,169	17,490,725	4,624,444
Pull Tabs - Dispensing	13,475,093	10,475,994	2,999,099
Club Specials, Tip, Seal & Coin Boards	206,805	150,880	55,925
Punch Boards	9,000	5,899	3,101
Sports Pools	39,415	31,994	7,421
Twenty-One	20,055,035	16,794,914	3,260,121
Calcuttas	33,540	28,331	5,209
Paddlewheels	50,929	22,353	28,576
Paddlewheels – with Table	1,186,596	873,507	313,089
Other (Cash/Long/Interest/Poker)	<u>54,626</u>	<u>0</u>	<u>54,626</u>
Totals:	\$66,666,401	\$53,254,632	\$13,411,769

Less: ND Excise Tax	\$1,542,195
Federal Excise Tax	23,736
Bingo Sales Tax	<u>507,688</u>
Total Adjusted Gross Proceeds	\$11,338,150

Less: Gaming Tax	\$734,225
Total Allowed Expenses	<u>\$6,625,395</u>
Total Deductible Expenses	\$7,359,620

Net Proceeds Earned \$3,978,530

Eligible Use Contributions \$4,798,890



North Dakota Games of Chance - 2005 Year-End Analysis

The amount of money wagered on charitable games of chance for the year ended December 31, 2005, was down by -1.6% percent or (\$4,388,539) when compared to year end December 31, 2004. The trend continued with largest decreases in pull tabs (\$7,177,450) or -7.3% and bingo (\$3,069,070) or -7.4%, while twenty-one had an increase of \$3,668,811 or 5.1%, dispensing devices had an increase of \$2,252,360 or 4.5%, and other (including poker) had an increase of \$96,611 or 74.4%.

Analysis of Gaming Activity Calendar Year Ended December 31, 2005

	Gross Proceeds	Prizes	Adjusted Gross Proceeds
Bingo	\$38,160,347	\$29,274,868	\$8,885,479
Bingo - Dispensing Device	0	0	0
Raffles	3,412,121	1,404,018	2,008,103
Pull Tabs	91,521,448	72,442,855	19,078,593
Pull Tabs – Dispensing Device	52,838,261	41,095,596	11,742,665
Club Specials, Tip, Seal & Coin Boards	815,510	598,355	217,155
Punch Boards	15,729	10,474	5,255
Sports Pools	110,462	90,102	20,360
Twenty-One	75,209,866	63,311,237	11,898,629
Calcuttas	202,297	168,912	33,385
Paddlewheels	135,259	62,387	72,872
Paddlewheels – with Table	4,689,165	3,506,358	1,182,807
Other (Cash Long/Interest/Poker)	<u>226,506</u>	<u>0</u>	<u>226,506</u>
Totals:	267,336,971	211,965,162	55,371,809
Less: ND Excise Tax			6,255,778
Federal Excise Tax			96,296
Bingo Sales Tax			<u>2,196,213</u>
Total Adjusted Gross Proceeds			\$46,823,522
Less: Gaming Tax			\$3,258,698
Total Allowed Expenses			<u>27,165,447</u>
Total Deductible Expenses			\$30,424,145
Net Proceeds Earned			\$16,399,377
Eligible Use Contributions			\$19,581,840



Top Twenty Organizations

Quarter Ended December 31, 2005

Name	Active Sites	Gross Proceeds	Prizes	Adjusted Gross Proceeds
ND Association for the Disabled, Grand Forks	11	\$6,558,528	\$5,265,804	\$1,292,724
Plains Art Museum, Fargo	2	3,627,348	2,975,944	651,404
Prairie Public Broadcasting, Inc., Fargo	8	2,873,397	2,314,815	558,582
Grand Forks Blue Line Club, Inc., Grand Forks	2	1,884,201	1,525,260	358,941
Bismarck-Mandan CVB, Bismarck	6	1,698,876	1,360,613	338,263
Minot Hockey Boosters, Inc., Minot	23	1,782,500	1,452,097	330,403
West Fargo Hockey Assn., Inc., West Fargo	7	1,671,792	1,381,296	290,496
Red River Human Services FND, Fargo	6	1,569,828	1,280,342	289,486
Development Homes, Inc., Grand Forks	9	1,553,741	1,268,242	285,499
Listen Inc., Grand Forks	6	1,487,905	1,206,782	281,123
Northern Prairie Performing Arts, Fargo	8	1,423,468	1,149,581	273,887
Fort Abraham Lincoln Foundation, Mandan	14	1,256,946	996,963	259,983
American Foundation for Wildlife, Bismarck	24	1,282,666	1,032,386	250,280
Minot Junior Golf Association, Inc., Minot	5	1,384,006	1,142,765	241,241
Dickinson Youth Activities, Dickinson	5	1,095,866	876,175	219,691
The ARC Upper Valley Inc., Grand Forks	8	901,203	704,295	196,908
Williston State College FND, Williston	10	1,095,992	899,864	196,128
Greater Grand Forks CVB, Grand Forks	5	1,029,697	845,273	184,424
The Team Makers Club Inc., West Fargo	2	1,071,936	900,212	171,724
Cystic Fibrosis Association of ND, Bismarck	9	<u>772,569</u>	<u>618,162</u>	<u>154,407</u>
	170	\$36,022,465	\$29,196,871	\$6,825,594

NAFTM 2004 Annual Report Now Available

The National Association of Fundraising Ticket Manufacturers (NAFTM), a trade association of companies that manufacture pull tabs, bingo cards, and related supplies, recently released its 2004 Annual Report entitled "Charity Gaming in North America". The report summarizes statistics and other information from 29 states and 9 Canadian Provinces related to the operation of charitable gaming.

Courtesy copies were mailed to State Gaming Commission and Advisory Board members, however, other interested individuals may obtain a copy by contacting NAFTM (Mary Magnuson), 1360 Energy Park Dr., #210, St. Paul, MN. 55108, by phone at 651-644-4710, or through NAFTM's web page at www.naftm.org.



Guidelines for a Poker Run

Definition:

A poker run is an event conducted by a licensed charitable organization or an organization recognized by a city or county for a charity local permit. Each participant in the event follows a charted course, stopping at five to seven checkpoints along the route to pick a single playing card. The playing cards may either be held by the participants or a schedule of the selected cards can be carried. Upon all participants arrival at the final checkpoint a showdown of the poker hands is conducted and prizes are awarded.



Guidelines:

1. Poker is restricted to two occasions per year for a licensed organization (NDCC 53-06.1-07.2 Poker) and one event per year for a charity local permit (NDCC 53-06.1-03(1)(d) Permits, site authorizations, and licenses).
2. A licensed organization must have a site authorization or a charity local permit must be issued for the specific location at which the poker hands are valued (showdown) and a determination is made of the winning hand. The site authorization must not prohibit the conduct of poker.
3. No site authorization or charity local permit is required at checkpoints prior to the final location where the showdown of hands is conducted.
4. The maximum entry fee for the event is \$18 for a five-card game or \$26 for a seven-card game. (Amounts are based on a blind bet, ante, maximum single bet of \$1, and not more than three raises, of not more than \$1 each, for each round of bets.)
5. Each player in the poker run must be registered.
6. Two employees or volunteers must be present at each checkpoint to ensure that a card is issued to each player in a fair manner.
7. Playing cards selected at each checkpoint may either be carried by the participants or a schedule of the selected cards can be carried.
8. An organization must, after the showdown, cross-check the winning player's cards to the specific cards that were issued or recorded at the checkpoints.
9. The winning player must be present when the showdown occurs and the prizes are awarded.
10. A licensed organization may voluntarily donate net proceeds to an organization that provides volunteer assistance during the poker run provided that that the donation is not a condition for providing these services.
11. The amount of prizes for a poker run may not exceed 90% of the gross proceeds collected.
12. In the event of a "tie" between two or more participants, the organization has the option of splitting the prize equally, having players draw an additional card for the highest card, or by another fair method.



Office of Attorney General
Gaming Division
600 East Boulevard Avenue
Dept. 125
Bismarck, ND 58505-0040

www.ag.state.nd.us

Official Mail
State of North Dakota
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“Poker Run” Guidelines

According to North Dakota Administrative Code 99-01.3-09-02(4), organizations that conduct poker through a “poker run” involving more than one location (checkpoint) shall comply with guidelines prescribed by the attorney general. An updated version of the guidelines developed by the Office of Attorney General’s Gaming Division for the conduct of a “poker run” is inside (see page 7). If you have additional questions regarding this activity, please contact the Gaming Division.